

CIACA



CONSTRUCTION BULLETIN

CONSTRUCTION INDUSTRY ADVISORY COUNCIL OF ALBERTA

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ERCB Forecasting Growth Ahead

At the July meeting of the CIACA forecasters' group, the Energy Resources Conservation Board presented its Alberta economic and energy outlook for the period from 1989 to 2003. Highlights of the forecast presented by ERCB staff members Janice Worsick and Thorn Walden included:

Energy Prices

Projected energy prices were presented as two scenarios, high case and low case.

In the *high case*, crude oil prices (West Texas Intermediate, expressed in 1988 dollars) are expected to rise to \$19.97/barrel in 1989 and to \$20.88 in 1990. Thereafter, prices rise to a threshold level of \$29.46 by 2000 and remain at that level until 2003.

In the *low case*, prices are predicted to fall to \$12/barrel this year, remain constant for the next two years and then rise to only \$20/barrel by the end of the forecast. The actual price for 1989 will likely lie within the upper half of the predicted range, barring any unforeseen

shocks.

Under the high-case scenario, Alberta wellhead natural gas prices (in real 1988 dollars) are predicted to rise to an average of \$1.70 / gigajoule in 1989, to \$1.77 next year and to \$4.34 by 2003 (August wellhead prices were \$1.46 / gigajoule).

Under the low-case scenario, real gas prices are assumed to fall to \$1.05 in 1989, then rise slightly to \$1.08 in 1990, reaching \$2.74 / gigajoule by 2003.

Oil Sands

In the high case, the Syncrude Capacity Addition Project (CAP) is assumed to

be completed by the end of 1989 and an expansion is predicted for the turn of the century, increasing the plant's total annual production to 13.1 million cubic metres by 2003. A Suncor capacity increase project (debottlenecking) is completed in 1994 and a further expansion

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New Code's Bargaining Structures

THE NEW LABOUR RELATIONS Code requires the general construction sector to develop bargaining structures which differ greatly from those established under the old Labour Relations Act and the Construction Industry Collective Bargaining Act.

The transition to new province-wide trade-by-trade bargaining structures has now been completed, and there are now province-wide registration certificates issued for 24 of the 28 trade jurisdictions in the general construction sector.

By late August, collective agreements were concluded for 12 of the trades. All of these collective agreements are in effect until April 30, 1991, and thereafter in accordance with the Labour Relations Code.

Active negotiations are progressing toward collective agreements for six other trade jurisdictions, while the negotiations for the remainder have yet to begin in earnest.

The trade jurisdictions for which collective agreements were concluded by late August are:

- Boilermakers;
- Bricklayers - refractory;
- Elevator constructors;
- Ironworkers - reinforcing;
- Ironworkers - structural;
- Millwrights;
- Operating engineers;
- Painters;
- Plumbers;
- Sheeters, cladders and deckers;
- Sheet metal workers; and
- Sprinklerfitters.

The Role of CIACA in Good Times

The editorial board is a committee appointed by the CIACA board primarily for the purpose of publishing the *CIACA Construction Bulletin*. The committee is made up of two representatives from labour, two from management, two from government and one from construction owners.

Representatives of the editorial board also serve on the construction forecasters' group, to provide the necessary liaison between these two bodies so the industry can benefit from the work of the forecasters' group. The long- and short-term forecasts published in each bulletin are designed to assist construction industry participants both collectively and individually in their decision-making, especially as it relates to the volume of construction, and to projected manpower needs and availability. We also attempt to make the construction industry participants aware of how economic policy, both federal and provincial, will have an impact on the industry. It is our hope that this service assists both unions and management in understanding each other's needs, expectations and concerns. We believe this combined effort is unique in Canada.

However, the *CIACA Bulletin* is only a small part of the overall concept of CIACA. As a body, CIACA brings together competing interests (real and perceived) of labour, management and government. It provides the opportunity for various parties to air

their concerns and frustrations away from the pressure of the bargaining table or during the implementation stage of new legislation. It is essential for this industry's wellbeing that individuals from all sides get to know each other on a personal level and are able to discuss the needs of the group in an open and non-threatening forum and in an atmosphere that does not require a win/lose situation.

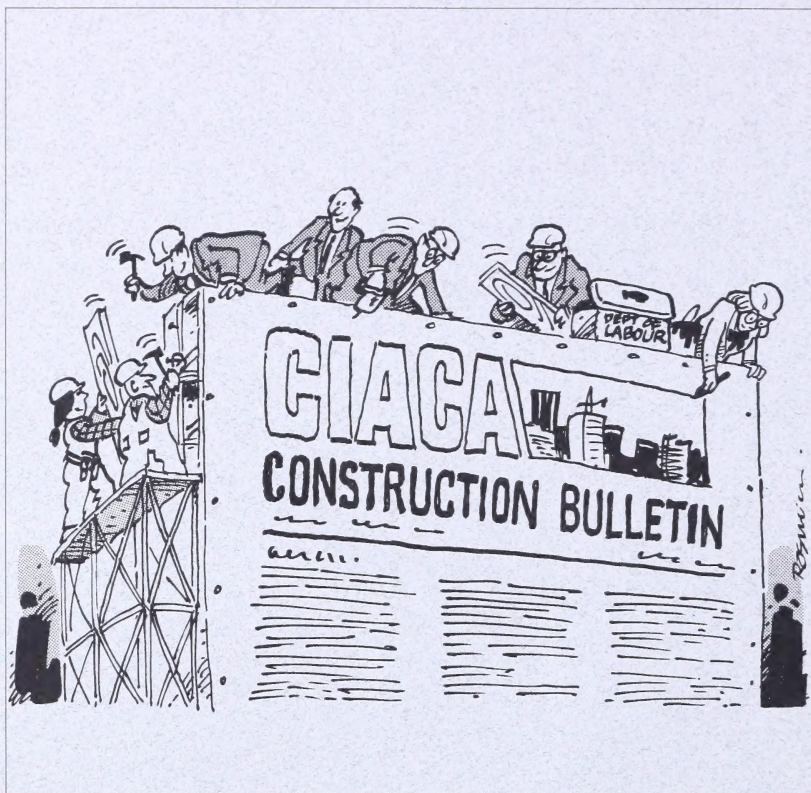
Often building such relationships is ignored in good times because everyone is in a win/win situation. All too frequently, we find out later that no foundations have been built to enable us to cope with dealing with

each other in lose/lose situations. Yet the cyclical nature of construction demands that we continue to work hard at developing precisely such foundations, not only for the benefit of direct participants, but for the mutual benefit of the workers and society as a whole.

CIACA was born in tough times and the challenge facing us is to make it grow and bloom as we enter better times. It is an opportunity to set aside differences, to understand one another's particular philosophical bent to begin to appreciate the reasons for the other's view of what's needed for the industry. There are differ-

ent representation philosophies and different management styles. Changing government responses require more than plain opposition; they require discussion, interaction and helpful alternatives. These can best be developed when the individuals in the process know one another by name and face and respect the other's point of view.

CIACA and the *CIACA Bulletin* will continue to serve as the bridge that brings this about. It will serve this purpose as long as it has the commitment of all of us; we owe this to all those who are involved in construction in this province.



Pressing Issues Facing CIACA

During June and July, I met with the co-chairmen of the various CIACA subcommittees and with Deputy Minister Clint Mellors and his staff to review the status of CIACA activities and to determine future direction and actions. We also reviewed the strengths and weaknesses of the council over the past five years.

At that time, I decided that because the chairman's job now requires more time than I can now commit, I would announce my resignation, effective immediately.

The council has served a very useful role since its inception, providing a venue for the participants in the construction industry to gather to keep communication links open during a trying time in labour relations. This is probably one of the greatest strengths such a council has. The council

functioned on the principle that the members would deal in facts as a basis and would respect each others' conclusions and opinions drawn from these facts. We believe that this process spread to areas outside the council.

The council can also take credit and pride in the fine work being done by the forecasters' committee and the editorial board of the *CIACA Construction Bulletin*, both of which are well received in the industry.

Some of the perceived weaknesses of the council are that often its recommendations were not seen to be acted upon, or that council was not consulted on some issues pertinent to the industry, and that there was a lack of communication among the chairman, subcommittee chairmen and the minister's office. There was also concern that fewer senior industry

personnel are being appointed to CIACA, reflecting some slippage in support from industry.

It was noted that the first few years of the council's life were characterized by severe economic cutbacks and contractor-labour strife, and that these factors affected the council. During those times the chairman's role was largely one of mediating a consensus among the divergent interests of the membership.

We see now that the council is turning a corner into new territory as the economy picks up and other issues surface. Indicative of this change is the fact that there are now a dozen trade agreements negotiated and in place, compared to only two or three a few months ago. The proposed pulp mill projects are a major factor for this move.

The council must face the pressing issues of trade shortages, trade training,

and health and safety. As well, there is the issue of cost-effective construction that received a high degree of interest from industry participants a few years ago. Several proposals for a mechanism have been placed before previous ministers, but were not acted upon for various reasons. It is important that this issue be taken up with the present minister.

One of the conclusions we reached was that the council would require more impetus from the chairman now that the driving force of strained labour relations and the drafting of new labour laws is behind us.

The present issues are just as critical as the labour relations issues but they do not provide the same incentive to the council members to focus their collective attention; therefore the chairman will have to spend much more time ensuring that the pertinent issues are studied and dealt with effectively by the council committees and general membership.

I wish to thank the members of CIACA and the Labour Department staff for their cooperation and good work, and to encourage the membership of CIACA to continue to work for the betterment of the construction industry. I extend good wishes to you all and I particularly encourage you to continue to work for the industry through the mechanism of CIACA.

Phil Walker, Chairman

Message from the Minister



ON BEHALF OF ALBERTA LABOUR, I thank Phil Walker for his significant contributions to CIACA. As the council's founding chairman, Phil gained a reputation for promoting open and effective communication. Throughout his term, he enabled the council to deal effectively with a wide array of issues including legislation, training, apprenticeship and industry forecasting. As Phil steps down, we wish him every success in his future endeavors.

I would also like to commend CIACA for the important role it has played in the industry's relationship with government. This forum has allowed labour, contractor and owner representatives to discuss issues and to jointly develop recommendations. This approach has helped the participants develop a better understanding of each other's positions on many issues. As well, CIACA has provided valuable input to government, which has enhanced our ability to develop policies affecting the industry. I look forward to continuing a dialogue with your industry.

Hon. Elaine McCoy, Q.C.
Minister of Labour
MLA, Calgary West

Energy and Forest Projects Important in the '90s

in 1994 and a further expansion comes on stream at the end of the century, raising this plant's production to 7.1 million cubic metres by the end of the forecast. The OSLO (Other Six Leases Operation) project is expected to proceed in the late 1990s, with a production of 4.4 million cubic metres. The high case also assumes an in situ bitumen upgrader will come on stream around the turn of the century, producing 2.4 million cubic metres by 2003.

Under the low case, only the Syncrude CAP and Suncoor debottlenecking are predicted, with the latter being deferred until the end of the century.

Petrochemicals

In recent years, the price of petrochemical feedstock in Alberta has declined and the worldwide demand for ethylene, methanol and petrochemical derivatives has surged, while the demand for fertilizers has grown significantly in the wake of the 1988 drought. The high case assumes three new ethylene plants will be built in 1993, 1995 and 2000, each having a capacity of 400 kilotonnes. In addition, under this scenario, the construction of one new 360 kt ammonia plant by 1996 and one 700 kt methanol plant by 1998 are predicted, as well as 10 petrochemical derivative plants of varying capacity built by 2000.

The low case assumes the same ammonia and methanol plants, but only one ethylene plant by 1994 (with a capacity of 500 kt) and only three petrochemical derivative plants, which tend to be deferred relative to the high case.

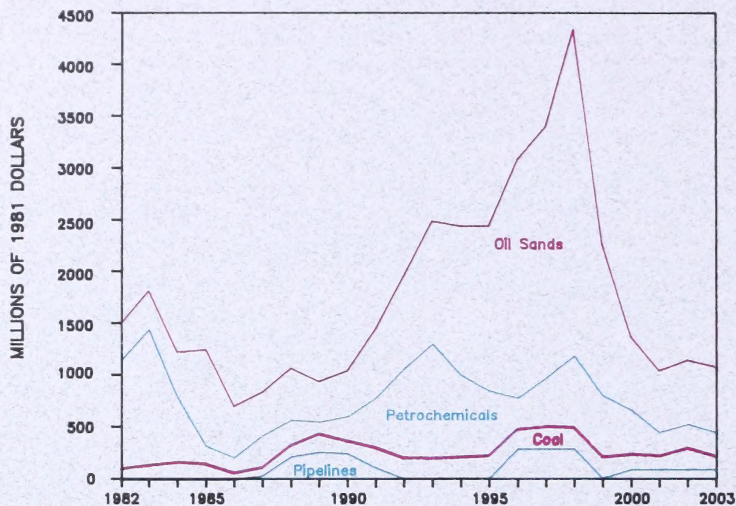


FIGURE 1
ALBERTA NEW ENERGY INVESTMENTS - HIGH CASE

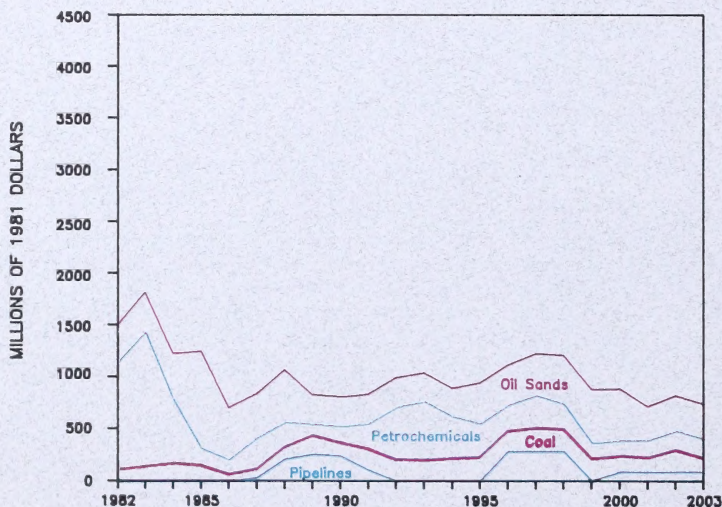


FIGURE 2
ALBERTA NEW ENERGY INVESTMENTS - LOW CASE

ERCB Forecast continued

Forest Products

Disregarding projects which have recently been completed or which are about to be completed, both cases call for four kraft mills, three chemi-thermo-mechanical pulp mills and two newsprint mills within the forecast period. However, the timing of the commissioning dates varies, with projects often deferred under the low case.

Economic Growth

Under the high-case scenario, real GNP will rise by 3.4 per cent in 1989 and by 3.8 per cent in 1990, because of relatively strong growth in both exports and energy investments. Over the entire forecast period, real GNP growth is forecast to average 2.6 per cent per year.

Under the high case, significant oil sands investment is expected during the 1990s, particularly in the second half, during which expenditures are expected to peak at \$3.1 billion (1981 dollars) in 1998. As well, strong petrochemical investment is foreseen in the early and late 1990s. A rise in pipeline expenditures in the first part of the forecast represents a NOVA expansion, while a rise in the second part repre-

sents pipelines built in Alberta for Beaufort Sea development.

Under the low case, real GNP is predicted to decline by 1.5 per cent in 1989 and to rise by only .7 per cent in 1990, primarily because of a large fall in conventional oil and gas drilling activity, and oil sands and petrochemical project expenditures. Over the entire forecast period, real GNP growth is expected to average 1.5 per cent per year.

The greatest impact on investment of the low-oil-price scenario occurs in the oil sands sector as major projects are cancelled or deferred. As well, petrochemical investment is much more depressed under the low case.

The forecasts of real GNP, unemployment rate, population and number of households are shown below.

Energy Requirements

Between now and 2003, Alberta's total secondary energy requirements are forecast to rise to 1418 petajoules (PJ) in the high-case scenario and to 1143 PJ in the low case, representing an annual growth rate of 2.6 per cent and 1.1 per cent, respectively. Pronounced in-

dustrial growth occurs under the high case, given the strong assumed activity in the oil sands, petrochemicals and forest products sectors. Coal represents the fastest growth fuel in the high case,

primarily because of its use in the new oil sands and forest products projects.

For more detailed information, see Energy Requirements in Alberta 1989-2003 (ERCB Report 89-A).

Construction Industry Forecast Access

The following agencies offer construction forecast service subscriptions. For rates and details, contact the agencies directly.

Canadata

1450 Don Mills Road, Don Mills, Ontario M3B 2X7
(416) 445-6641

The Dalcro Group

1100, 10080 Jasper Avenue Edmonton, Alberta T5J 1V9

Informetrica

P.O. Box 828, Station B, Ottawa, Ontario K1P 5P9 (613) 238-4831

Current holdings of forecast publications which include Alberta construction forecasts, available for loan or reference from the Alberta Labour Information Services Branch, include the following:

Alberta Construction Association, Annual Forecast
Bank of Nova Scotia, Global Economic Outlook (annual);
Conference Board of Canada, Quarterly Provincial Forecast;
Electrical Utility Planning Council, Alberta Energy and Demand Forecast (annual); and
Royal Bank of Canada, Econoscope (monthly).

To contact the Library Services Branch, use the RITE line (toll-free) or in Edmonton call 427-8533.

Table 1: Economic Key Indicators

	Real GDP at Market Prices (billions of 1981 dollars)		Unemployment Rate (per cent)		Population ('000)		Number of Households ('000)	
	High	Low	High	Low	High	Low	High	Low
1989	61.3	58.2	6.9	10.3	2428	2407	897	891
1990	63.7	58.6	5.4	9.6	2460	2423	914	903
1995	77.0	63.9	3.5	9.1	2685	2529	1018	968
2000	82.8	69.1	4.8	8.2	2858	2603	1116	1030
2003	88.0	72.1	6.1	8.0	2905	2642	1156	1065

Founding Chairman of CIACA Retiring

Phil Walker, founding chairman of CIACA, retires this month after almost five years in the chair. Former commissioner of utilities and engineering for the City of Edmonton, Phil, although retired from the engineering profession, is active in community work. He is a member of the the Alberta Water Resources Commission, the chairman of the planning committee of the Edmonton Archdiocese of the Catholic Church, active with Canadian Executive Service Overseas (CESO) and a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA).



Phil Walker, founding chairman of CIACA

Roof Construction Research Seminar Topic

The Institute for Research in Construction is presenting a Canada-wide series of one-day seminars on "Roofs that Work". The seminar will examine the flat roof as an integral part of the building envelope, and as a complex system in its own right.

Three Institute specialists, Graeme Consiglio, Om Dutt, and Charles Hedlin, along with consultant Douglas Fishburn, president of the Fishburn Roofing Sciences Group Ltd. will make presentations. The seminar will also include a presentation on

unique roofs in Canada, and a panel discussion.

In Calgary, the seminar will be held October 2 at the Sheraton Cavalier, and in Edmonton it will be held on October 16, 1989 at the Coast Terrace Inn.

Advance registration is available.

FOR REGISTRATION or for more information, contact:

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The *CIACA Construction Bulletin* is published three times a year by the Construction Industry Advisory Council of Alberta. It is intended to inform the construction industry about the activities of the council, and to disseminate economic forecast information pertinent to the Alberta construction industry.

The *Bulletin* is directed by an editorial board chaired by Co J. Vanderlaan.

The editorial board is made up of the following, representing:

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Co J. Vanderlaan

Management Merv Ellis
Neil Tidsbury

Owners
Government

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Janet E. Howell
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